

SUSTAINABILITY in everything we do!

SalMar's ENVIRONMENT and  
SOCIAL RESPONSIBILITY Report

2015



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ONE OF THE LARGEST  
AND MOST COST  
EFFICIENT SALMON  
PRODUCERS  
IN THE WORLD







SalMar's corporate culture is constantly evolving, and builds on the success factors that have been cultivated within the company since its inception in 1991. Although the company's culture is affected by both external and internal framework conditions, it remains firmly anchored in a few overarching principles, in particular a strong focus on good husbandry, operational efficiency and safe food production.

## 1 PASSION for Salmon

SalMar is one of the world's largest producers of farmed salmon, and the world's largest producer of farmed organic salmon. The company aims to be the lowest-cost producer of salmon. This goal can be achieved only through sustainable biological production. SalMar's vision is: "Passion for Salmon".

Over several years of work and refinement, SalMar has arrived at the following tenets, which reflect its corporate culture, values and attitudes:

- What we do today we do better than yesterday
- The job is not done until the person you are doing for is satisfied
- Focus on the solution
- The job we do today is vital to the success of all
- We care!
- Sustainability in everything we do

### SCOPE OF THE REPORT

The report covers those Norwegian companies in which SalMar's shareholding and operational liability exceeded 50 per cent in 2015. This is the second report which focuses exclusively on the environment and corporate social responsibility. In addition SalMar publish a thorough Annual Report.

The report is prepared on the basis of the principles required by GRI (Global Reporting Initiative) version G4. On the last page you find an overview of the GRI index and our reporting related to this. Any questions relating to this edition should be addressed to Sustainability and Nutrition Manager Merete G. Sandberg or IRO Manager Runar Sivertsen .

SalMar's tenets run like a red thread through this report, and create a framework for its disposition. Each chapter is introduced by a brief text linking its contents to one of the company's tenets.

## 2 Sustainability report

SalMar posted very strong results in 2015. Gross operating revenues of NOK 7.3 billion and an operating profit of NOK 1.4 billion plainly show that SalMar is continuing to develop and create extremely good financial results. The volume harvested decreased slightly to 136,400 tonnes, but good salmon prices led to higher sales revenues. The organisation expanded through the year, and the Group now numbers some 1,200 employees, in 27 municipalities and five counties.

### Production costs

Our production costs continue to rise, largely as a result of higher feed costs and increasing biological challenges, particularly with regard to keeping salmon lice levels down. The consequences of this pursue us through the entire value chain.

Intense efforts are being made to develop tools to keep salmon lice numbers under control. This applies to both medicinal and non-medicinal methods. Research environments, equipment suppliers, feed and vaccine suppliers, and the aquaculture industry itself are all working extremely hard in this area. Progress is being made, and I am optimistic that the salmon lice challenge will be resolved in the not too distant future.

### Salmon lice

We see ever more clearly the challenges facing the organisation in dealing with what we feel are partly conflicting regulations and expectations from the regulatory authorities, society at large and our own workforce. This is particularly evident in the effort to combat salmon lice. Here, there are obvious paradoxes, including the regulations governing the use of and emissions from wellboats that participate in delousing treatments, as well as less apparent challenges, such as prioritising between the lice regulations and animal welfare considerations, eg in connection with mandatory treatment at low temperatures.

For a production manager it can be difficult to balance the different considerations, and it can be difficult to avoid criticism no matter what one prioritises. We believe the authorities need to issue overarching clarifications regarding some of these issues, and we aim to help bring this about. We have seen the need to highlight our prioritisation of animal welfare in this past year, out of consideration for both the fish and our employees.

Handling the challenges posed by the lice situation remains the biggest task for us as an aquaculture company. The Norwegian salmon industry's battle to eradicate salmon lice is so extensive and demanding of resources that it deserves all the assistance and input that can be found. No one has the definitive answer to all the questions that arise in the wake of the massive campaign being waged against the lice. New experiences and new problems are constantly emerging.

We believe it is expedient to challenge existing measures, preparedness, management and knowledge concerning lice, in order to use our resources in the best possible way and to ensure that the problem is resolved as quickly as possible. As a contribution to this, we have become engaged in the establishment of a wide-ranging lice research programme spearheaded by the Norwegian University of Science and

Technology (NTNU), which will start up in 2016. The aim is for colleagues within the industry and scientists to ask "out-of-the-box" questions. Many people may find that a provocation in itself – it is perceived as a denial of the importance of wild salmon – but we consider such reactions to be a clear sign that the lice issue has become far too politicised. Knowledge is always the most important path to development.

### Offshore fish farm

Since 2012 SalMar has invested some NOK 100 million to develop and test its offshore fish farming concept. And on 28 February 2016 we finally received notification that SalMar had been awarded eight development licences for its sea-going installation. That our subsidiary, Ocean Farming, was the first company to be awarded development licences under the new scheme that the government introduced last autumn was a source of pleasure and pride for SalMar. The eight licences will allow the company to realise its much talked of offshore fish farm, which has been designed with the assistance of Norwegian and international centres of excellence in the fields of maritime design, testing and quality assurance.

We are pleased that Norwegian centres of expertise have also proved fully competitive with regard to supplying advanced equipment for the offshore installation. Although the unit will be built at a shipyard in China, major equipment contracts have been entered into with Norwegian suppliers. The offshore installation is scheduled to be on site and ready to receive the first transfer of fish in the summer of 2017. The offshore fish farm underlines SalMar's ambition and determination to be a technology leader in the field of sustainable seafood production. The installation is groundbreaking in that respect.

Many people deserve applause for their formidable efforts, but the offshore fish farm would almost certainly never have been realised had it not been for the vision, unswerving faith and willingness never to give up on the project of our founder Gustav Witzøe.

### Aquaculture Stewardship Council (ASC) Standard

SalMar is currently working to certify its sites in accordance with the ASC standard, which is considered the most stringent sustainability standard in the world. The main objective of the ASC standard is to ensure transparency, a reduced carbon footprint and compliance with corporate social responsibilities, as well as provide added value to the companies certified. So far, SalMar has achieved certification of eight sights, while four new sites are working towards certification in the winter/spring of 2016.

The ASC standard is extremely demanding with regard to environmental burden, working environment, communication with stakeholders and transparency. In some cases the requirements are stricter than those laid down in Norwegian law. The ASC standard is difficult to achieve, since it requires substantial resources to be devoted to preparation and a considerable focus on the detail. Openness with regard to performance is an important part of the standard, and information is presented on an ongoing basis on our website [www.salmar.no](http://www.salmar.no). This standard is helping SalMar to take a fresh look at how we do things and stretch ourselves still further to live up to one of our basic tenets: Sustainability in everything we do.



### Passion for Salmon

"Passion for Salmon" is our vision. It is our shared commitment to farming salmon on the fish's terms and our focus on creating a unified SalMar that will help to further develop the company and draw us ever onward. We must dare to proclaim that our ambition is to be "the world's best fish farming company". It is an ambition we are not far from realising, though getting there will demand a lot of us. There are many different ways to measure success: we must be the best for sustainability, animal welfare, technology, leadership, lice management and a host of other areas which are crucial to our business.

For our operative units, we have two simple but clear objectives:

1. Maximum operational efficiency for biological production at the minimum cost
2. The best possible sales price for our salmon, and optimal resource utilisation

These goals encapsulate the very core of SalMar's philosophy. Our farming units produce high quality salmon on the fish's terms, while our sales and processing operations maximise its value once it is brought ashore. This is a winning formula, which we have used for many years, and which will continue to be our foundation in the years to come.

The six tenets of our corporate culture remain in force. Although we are constantly changing and improving, our tenets constitute the immutable bedrock on which we are built – it is they we follow and are guided by day to day.

*Gustav Witzøe*  
CEO





### 3 SUSTAINABILITY in everything we do



Although Salmon farming is one of the most sustainable and environment-friendly ways of producing food, the process poses a number of environmental challenges. The Group focuses on resolving those challenges through continuous development of its operations and investment in new technology.

SalMar will safeguard its long-term profitability and growth through sustainable fish farming and industrial operations, and by acting as a responsible corporate citizen. For SalMar, sustainability is about maintaining high ethical and business standards, and contributing to a greater awareness of the environment in which we operate day to day. We protect the environment and ensure that it is managed in a way that benefits future generations.

#### CORE BUSINESSES AND SEGMENTS

SalMar's core business is the farming, processing and sale of Atlantic salmon. The Group's activities extend along the entire value chain from broodfish and the production of roe, to the freshwater and marine phases, harvesting, processing, sale and distribution. SalMar has been growing since its foundation in 1991. In 2015 it produced 136 4000 tonnes of salmon in Norway, the equivalent of around 1.9 million nutritious and delicious dinner portions per day.

The salmon is raised in clean water and under controlled conditions at fish farms in Møre & Romsdal, Trøndelag, Troms and Finnmark. The Group has harvesting and processing facilities in Frøya (InnovaMar) and Aukra (Viken AS).



## BROODSTOCK

The broodstock are the parent fish which provide the eggs and sperm (milt) required to produce new generations. The fertilised eggs take 60 days to hatch when placed in an incubator kept at eight degrees Celsius.

## EYED SALMON EGGS

After 25-30 days in the incubator the eggs have developed to the stage where the eyes of the salmon are clearly visible as two black dots inside the egg.

## FRY

The egg hatches when the eggshell cracks open, liberating the baby fish (fry) inside. When it hatches the fry is attached to a yolk sac, which provides it with the sustenance it needs during its first few weeks of life. From now on the fish's growth and development will all depend on temperature.

## INITIAL FEEDING

When most of the yolk sac has been absorbed, the fry can be moved from the incubator into a fish tank. They are now ready for initial feeding. The water temperature is kept at 10-14 degrees Celsius, and the fry are exposed to dim lighting 24 hours a day. The initial feeding period lasts for six weeks. As they grow the fry are sorted and moved to larger tanks. Well ahead of their "smoltification" all the fish are vaccinated before being shipped by wellboat to the fish farm's marine net-pense.

## SMOLTIFICATION

The process whereby the juvenile fish transition from a life in freshwater to a sea-going existence is called smoltification. During this process the fish develop a silver sheen to their bellies, while their backs turn a blue-green colour. Their gills also change when the juvenile fish turns into a smolt.

## ON-GROWING

The farming of fish for human consumption takes place in net-pens, large enclosed nets suspended in the sea by flotation devices. In addition to a solid anchorage, net-pens require regular cleaning and adequate measures to prevent the farmed fish from escaping. Growth in the net-pens is affected by feeding, light and water quality. Here too the fish are sorted as they develop and grow.

## HARVESTING & PROCESSING

A year after transfer to the marine net-pens, the first fish are ready for harvesting. The fish are transported live by wellboat to the processing plant. There the fish are kept in holding pens, before being carefully transferred to the plant itself. The fish are killed and bled out using high tech equipment, and always in accordance with applicable public regulations. After harvesting the salmon is subject to various degrees of processing.

## SALES

The fish is sold either as whole gutted salmon (fresh or frozen), fillets, in individual portions or a wide range of other products, which are distributed to markets around the world.

# The ABC of salmon farming



FRY



SMOLT



GROWTH



HARVESTING



SALES



MARKET

TRACEABLE SUPPLY CHAIN

# This is SALMAR

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SalMar is one of the world's leading producers of Atlantic salmon. SalMar have significant farming operations in both Central and Northern Norway, as well as in Scotland through 50 % ownership in Scottish Sea Farms. SalMar also operate a comprehensive harvesting and VAP facility in Central Norway at the company's headquarter at InnovaMar on Frøya and on Vikenco at Aukra.

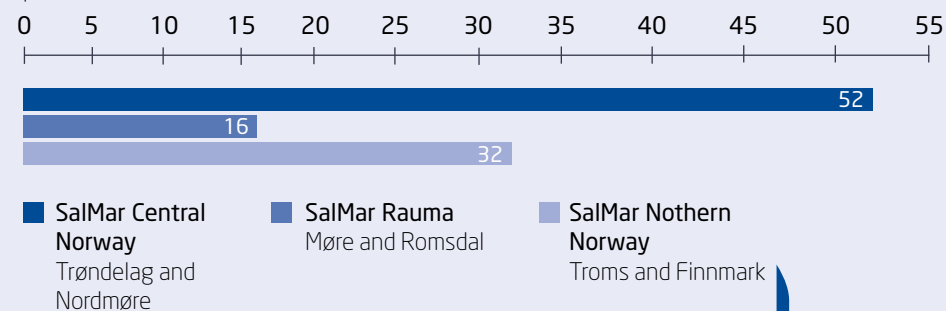
Learn more about SalMar at  
[www.salmar.no](http://www.salmar.no)

Salmar Northern Norway  
Salmar Central Norway  
Salmar Rauma

Scottish Sea Farms LTD

SalMar Japan  
SalMar South-Korea

GEOGRAPHICAL DISTRIBUTION of SalMar's 100 wholly owned licenses in Norway  
pr. 31.12.2015



## FINANCIAL CALENDER

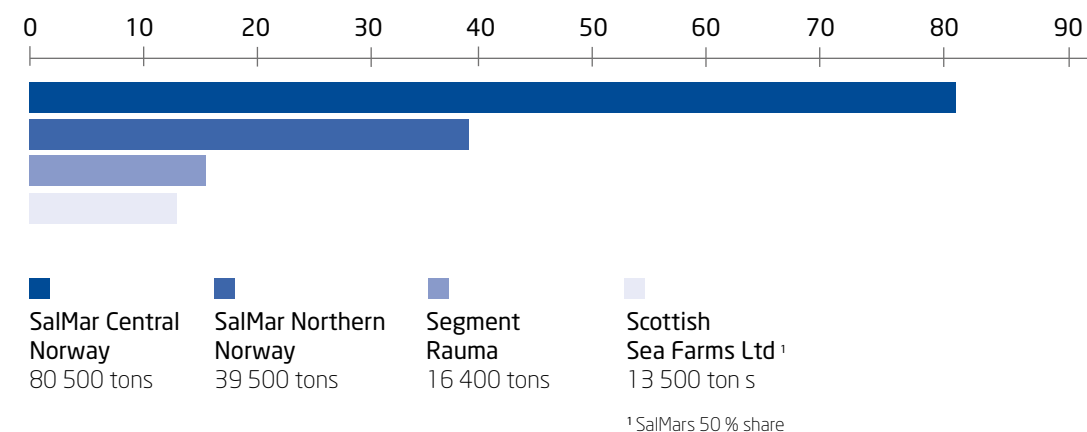
2016

- 4th Quarter 2015 results • 19.02.2016
- 1st Quarter 2016 results • 11.05.2016
- Annual General Meeting • 07.06.2016
- 2nd Quarter 2016 results • 25.08.2016
- 3rd Quarter 2016 results • 16.11.2016

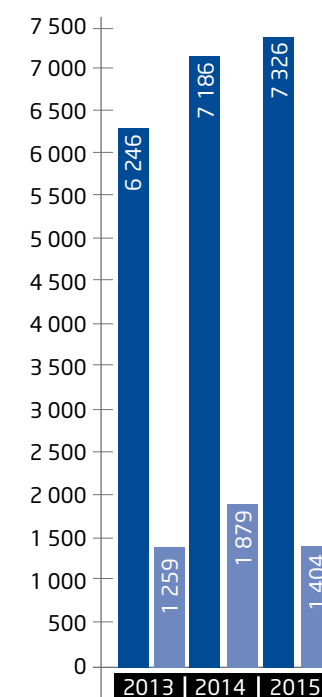
SalMar holds quarterly presentations open to the public. The presentations will take place at 08.00 CET at Hotel Continental in Stortingsgaten 24/26 in Oslo, Norway.

The annual general meeting will be held at Frøya. Please note that the dates are subject to change. Changes will be communicated.

HARVEST VOLUME 2015 by geography, gutted weight

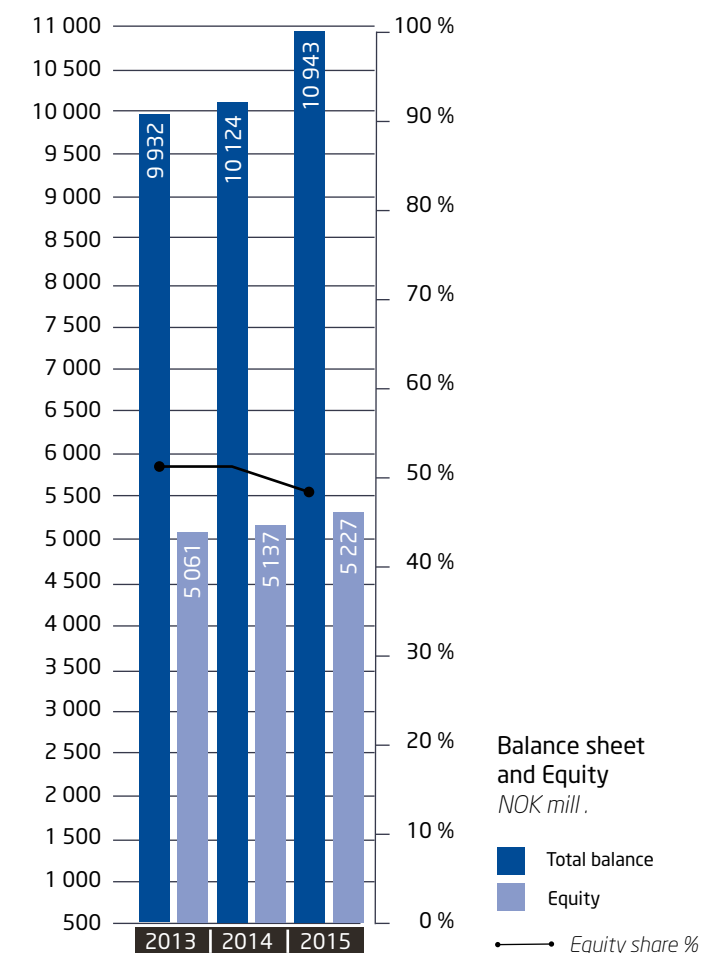


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Operating revenue and Operational EBIT NOK mill.

Operating revenue  
Operational EBIT



Balance sheet and Equity NOK mill.

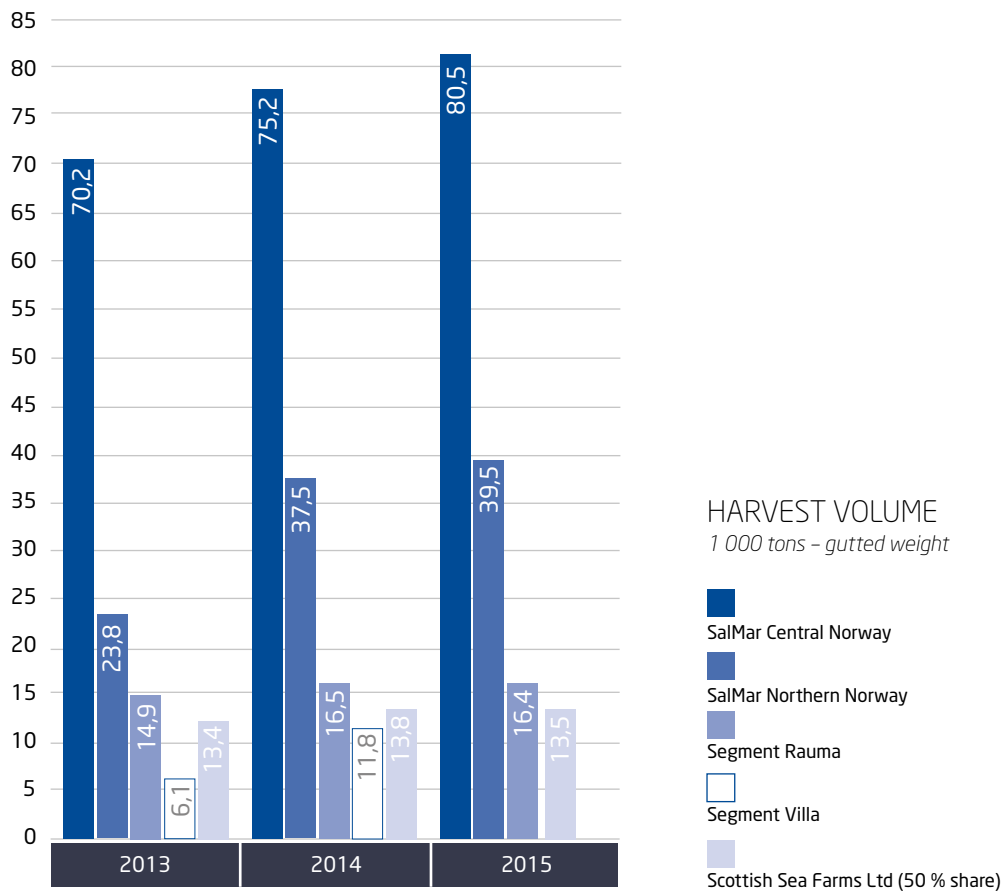
Total balance  
Equity

Equity share %

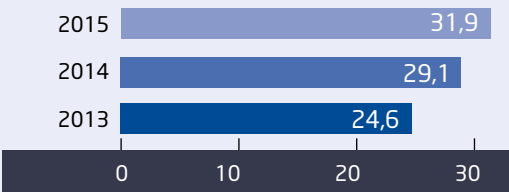


# Harvest volume and value added products 2015

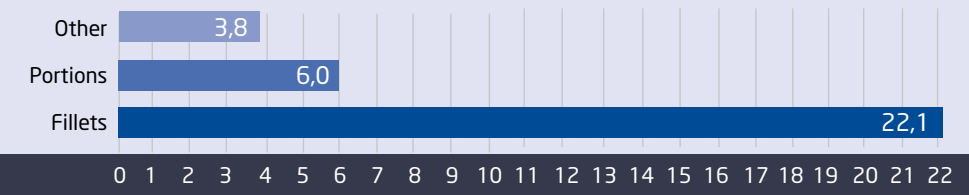
14



VOLUME VALUE ADDED PRODUCTS  
1000 tons - product weight



VALUE ADDED PRODUCTS 2015  
1000 tons - product weight



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# SalMar around the world

Direct sales to approx. 40 nations worldwide!

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## ROE/SMOLT/JUVENILES:

### Central Norway:

- SalMar Settefisk AS
- Langstein Fisk AS
- Straumsnes Settefisk AS

### Northern Norway:

- Troms Stamfiskstasjon AS

## FARMING:

### Central Norway:

- SalMar Farming AS

### Northern Norway:

- SalMar Nord AS

### UK:

- Norskott Havbruk AS - 50 %  
(Scottish Sea Farms Ltd)

## PROCESSING

### Central Norway:

- InnoMar facility (ST-423)
- Vikenco AS (M-200)

## SALES & DISTRIBUTION:

- SalMar Sales AS  
(Frøya and Ålesund, Norway)
- Vikenco AS
- SalMar Japan
- SalMar Sales Korea

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## SalMar ASA

The salmon produced by SalMar is sold either through its own sales organisation or through close business associates. Systematic efforts in the area of traceability and control ensure that SalMar's salmon is of high quality in terms of both nutritional value and food safety. SalMar supplies a wide range of fresh and frozen salmon products.

The business is organised into four companies handling biological production and one company handling processing and sales. SalMar ASA is headquartered in Frøya,

South Trøndelag.

In 2015 SalMar sold direct to over 40 countries. SalMar's most important market in 2015 was Europe, with Poland, Lithuania and the UK as the largest national markets. The second largest market was Asia, where Japan, Korea, Vietnam and Singapore were major national markets. After closing of the sale to Russia in 2014 North America is the third largest market, with the USA as the largest single market.



Leadership of the sustainability effort

The Group's CEO is ultimately responsible for SalMar's environmental footprint and for its efforts to increase its sustainability. SalMar has dedicated quality departments which monitor and assess the work being done within this area, but the activity is coordinated by management teams within the segments Fish Farming, and Processing and Sales. Systematic risk assessments are carried out at the overarching level and in all departments to ensure that SalMar as a group is able to implement necessary precautionary measures. Management of each department is responsible for ensuring that monitoring activities are performed and reported, and the quality managers at the various companies follow up and support departmental and operative leaders in this area. Quality managers and other quality assurance staff take an active part in regular management meetings at all levels in the company. Quality, safety, fish welfare and the environment are regular issues discussed at these meetings.

Environment policy

SalMar's facilities are situated in rural areas along Norway's coast, with clean water and good natural conditions for the salmon. Large and small coastal communities are important bases for SalMar's workforce and operations. The Group is conscious of the benefits it derives from

the communities and environment along the coast. This recognition underpins SalMar's systematic efforts to fulfil its responsibilities as an employer, producer, supplier of healthy food, user of the natural environment and administrator of financial and intellectual capital.

SalMar takes a holistic perspective of its fish farming operations, and the organisation strives to be energy efficient and implement climate-friendly solutions. SalMar is the world's largest producer of organic salmon, but its conventionally farmed salmon is also produced in accordance with strict health, safety and environmental standards.

Focus areas and targets

It is important for SalMar to focus on the operational areas with the greatest potential for environmental impact. The potential for increased sustainability is greatest within these areas of the value chain:

- 1. Safety in the workplace
- 2. Preventing the escape of fish / limiting the number of escaped fish
- 3. Good fish welfare
- 4. Efficient feed utilisation
- 5. Food safety
- 6. Increased level of processing

Table 1: Sustainability targets for 2016 and the results achieved in 2015-2013

FO	Sustainability targets	Target for 2016	Result 2015	Result 2014	Result 2013
1	<b>Safety in the workplace</b>				
	Fatalities	0	0	0	1
	LTIs (Lost time injuries)	0	45	42	26
2	<b>Preventing the escape of fish/ limiting the number of escaped fish</b>				
	No. of fish escaped	0	2	376	70
3	<b>Good fish welfare</b>				
	Marine-phase survival rate, from release to harvesting (last harvested generation)	>95 %	89,2 %	89,9 %	87,1 %
4	<b>Efficient feed utilisation</b>				
	SalMar analyse several KPI for feed utilisation. The objective in 2016 is to further develop methods to report and analyse production figures and determine a specific sustainability target for 2017.				
5	<b>Food safety</b>				
	SalMar continuously monitors and takes samples to ensure that the food produced is safe for the consumer. Never in the company's entire history has any incident affected the consumer. SalMar carries out annual call-back tests.				
6	<b>Increased level of processing</b>				
	SalMar aims to replace as much as possible of the gutted fish sent to market with pre-rigor fillets.				
	Value added products (1000 ton product weight)		31,9	29,1	24,6

SalMar has embarked upon a process to clarify the expectations that its various stakeholders have with regard to the company. So far, interviews with a selection of SalMar's stakeholders have taken place. The input from the various groups and from internal strategy processes has been analysed, and the results have determined the choice of focus areas. Analysis of the emphasis which the stakeholders place on the various focus areas will continue, and SalMar is open to their adjustment. The Group will draw up specific targets in future phases of the process.

To contribute to the development of a healthy corporate culture and maintain the company's integrity, the board has drawn up a code of conduct. All employees have been made aware of SalMar's ethical and social responsibility guidelines, which are the subject of discussion at annual seminars at the SalMar School. The code of conduct details SalMar's attitude to business ethics and corruption, the working environment and community relations. Routines for the notification of wrongdoing are highlighted during internal training sessions. A high ethical standard in all aspects of the business is non-negotiable, and forms the very foundation for SalMar's entire HSE strategy. SalMar's tenets describe the behaviours and actions required of all employees. At any given time the SalMar culture is embodied and shaped by its employees. Their good attitudes and actions have always made a significant contribution to SalMar's success. The company's code of conduct and tenets can be found on SalMar's website: [www.salmar.no](http://www.salmar.no).

The SalMar Standard

Stable environmental conditions are crucial to the health and welfare of the salmon being farmed. To protect the environment and facilitate long-term operations, extensive monitoring and R&D activities are undertaken. Every part of the operation is risk assessed in terms of sustainability, and appropriate measures are set out in procedures

and instructions. To monitor that everything proceeds in accordance with the guidelines that have been drawn up for sound operations, measurements are taken and internal audits performed. SalMar has developed its own standard for best practice. The SalMar Standard sets the bar high, and the number of sites which meet it is published in monthly KPIs.

Dialogue with stakeholders

SalMar has a number of different stakeholders, and is keen to maintain a good dialogue with all of them, for example, through face-to-face meetings, the media, annual reports, stock market notices, sustainability reports, adverts, R&D projects and our website [www.salmar.no](http://www.salmar.no). Dialogue with stakeholders takes place both locally and at corporate level. Understanding that we can only succeed if we work together, and treating each other with candour and respect is an explicit part of SalMar's principles for all dialogue.

The stakeholders to be included in SalMar's future sustainability reporting efforts are determined by the extent of their influence over the organisation. We aim to discover how we can engage our stakeholders in an effective manner, while ensuring that they experience their contact with SalMar as providing added value. Important steps in the process include winning acceptance for the issues selected, illuminating different perspectives with regard to impact, identifying challenges, accumulating external impressions and sharing knowledge.

The identification of stakeholders with whom SalMar will engage in dialogue results from several processes:

- Public authorities which administer the public interest in the area and grant licences to operate.
- Selection and approval of suppliers and engagement in R&D is determined by management teams in the various parts of the company.
- Identification of the NGOs with which SalMar will have direct contact is determined by Group Management.

SalMar's stakeholders

Table 2: SalMar's stakeholders

Internal influence	Business associates	Customer groups	External influence
Employees	Suppliers of goods	Norwegian customers	Government/regulatory authorities
Shareholders/investors	Suppliers of services	International customers	Standardisation bodies
Group Management	R&D partners	Organic customers	Business associations
		Customers with own standards	Groups of local people
			NGOs
			Research bodies
			Local communities (councils)





## 4 We care!

Caring about our co-workers, business partners and local communities is one of SalMar's core values. SalMar employees shall show they care, and their actions shall be rooted in a sense of responsibility, consideration and a desire to do their best. That we care has a positive impact on our biological and financial key figures, our HSE performance and our relations with the rest of society.

In this chapter we present the sustainability targets that cover the workforce and society. In addition, we present results associated with business ethics.

### The workforce

In 2015 SalMar employed a total of 1292 full-time equivalents. This is 210 full-time equivalents more than in 2014. 24,5 per cent of the permanent workforce are women. The percentage of women is considerably higher at the Group's harvesting and processing facilities than at its hatcheries and fish farms. SalMar's workforce is made up of people from around 25 different countries. To ensure good integration and a shared platform for communication, the working language is Norwegian. Language tuition is a high priority, and SalMar has a dedicated Norwegian language teacher attached to the production plant in Frøya.

The Group's code of conduct includes a clearly stated policy with respect to the promotion of diversity and equality. SalMar accepts no discrimination of employees, shareholders, board members, customers or suppliers on the basis of ethnicity, nationality, age, gender or religion. Respect for the individual is the cornerstone of the company's policy. Everyone shall be treated with dignity and respect, and shall not be unfairly prevented from carrying out their duties and responsibilities. This attitude springs from acknowledgement that a relatively even gender balance and ethnic diversity contributes to a better working environment, greater adaptability and better results in the long term.

Two employee representatives sit on SalMar's board of directors. Further information about the board's membership may be found in the annual report.

### Safety at work

Working at SalMar shall be safe. The company works systematically with risk management and training to protect its workforce. Nevertheless, the company experienced some serious incidents in 2015 that led to permanent injuries, but none that led to fatalities or the risk thereof. A total of 45 lost time injuries (LTIs) were recorded in 2015, compared with 42 LTIs in 2014 and 26 in 2013. Half of these injuries occurred in our harvesting and processing facilities which employ approximately 50 % of our employees.

Continued focus on industrial safety initiatives is important to reduce the number of injuries in 2016. All parts of the Group have an industrial safety representative, and every year two industrial safety inspections are carried out in each department. In 2015 we continued our focus on increased performance of safety inspections, and our efforts to identify safety improvement areas will continue in 2016. A total of 126 industrial safety inspections were carried out in 2015.

All serious accidents are investigated to prevent similar incidents occurring in the future. Great emphasis is placed on ensuring that hazardous operations are well planned before they are performed and evaluated afterwards. The mapping of our overall risk picture is the most effective measure we can implement to reduce the probability of personal injuries occurring. In 2015 we worked systematically in this area to finalize overviews of all our risk assessments. We have developed user-friendly tools for risk planning, evaluation and assessment and this is now taken into systematic use in the whole organization.

Overarching HSE targets have been drawn up, along with associated activities and action plans. On the basis of the

overarching targets, each individual division and department has defined its own local subtargets. Management has an obligation to meet the targets set. All employees are covered by a company health service in the vicinity of their workplace. The Group ensures that everyone receives the training necessary to perform their tasks.

### Sickness absence

Sickness absence has remained relatively stable in recent years. The sickness absence rate in 2015 came to 7.47 per cent compared to 5.79 per cent in 2014 and 5.00 in 2013. The processing operations drives up the average, but here too the sickness absence is on an average compared to industry in general. Short-term sickness absence in 2015 totalled 2.33 per cent, compared with 2.19 per cent in 2014 and 2.12 per cent in 2013. Long-term sickness absence totalled 5.14 per cent, compared with 3.60 % in 2014 and 2.88 in 2013.

Systematic efforts are being made to implement preventive measures and to the organization of the work situations for individuals when necessary.

### Training and arenas for development

New recruits to SalMar receive HSE training through induction courses, operational seminars and the SalMar School. All employees shall have received training in how to report wrongdoing or unacceptable circumstances within the company, and shall know that they are safe from reprisal if they do so. The procedure for reporting concerns is described in the management system, which is available to all employees.

The SalMar School holds seminars for all employees on relevant work-related topics, in addition to focusing on ethics and good attitudes. The SalMar School helps all employees to develop and grow. Through a revitalisation of the SalMar School the Group wishes to ensure that the various divisions share information and knowledge.

The level of risk associated with the work being performed every single day at SalMar means that training and having the right competence is vital. Training is provided internally and in the form of external courses. Day-to-day follow-up and on-the-job learning are, nevertheless, the most important methods for individual growth.

### Management tools and systems

In 2015, we have been further developing our platform for corporate governance (called EQS). It is specially adapted to SalMar's needs, and we have focused on building systems for user friendly and good reporting. This has now become an essential tool in the ongoing business management of the company and a good tool for monitoring and managing risk.

### Society

SalMar endorses wholeheartedly the principles set out in the Universal Declaration of Human Rights. Those aspects which relate to our operations, eg protection against discrimination and the right to form a trade union, are included in the Group's code of conduct and several other governing documents.

SalMar has a presence in several local communities, and is attentive to developments in villages and local districts. It is important for our employees that the local communities in which they live have the necessary infrastructures



and opportunities for leisure activities. For SalMar, it is crucial that the Group is able to operate at locations offering good growing conditions for our fish stocks. SalMar is actively engaged in numerous local projects. It is also important for SalMar to participate in local arenas for the exchange of views and information, and to take part in planning processes. Salmon farming is still considered a 'young' industry, and it is important to ensure that local decision-makers and other local residents are informed about our operations and plans for development. Through active participation in business associations and the public debate, SalMar contributes to important sustainable development processes in Norway.

Social accounting

On the basis of the company's financial statements and underlying data from Statistics Norway, the Confed-

eration of Norwegian Enterprise (NHO) has calculated SalMar's financial contribution to society through direct taxes paid by the company and its employees, as well as taxes generated when the Group buys goods and services from its suppliers. As Fig. 1 shows, each SalMar employee generated NOK 1.84 million in 2015. To this must be added the economic value created by subcontractors, such that the overall contribution to the Norwegian economy deriving from SalMar's operations came to NOK 6,588 million in general value creation and NOK 2,462 million in taxes and public charges paid.

NOK 2 462 million in taxes and public charges can finance:  
4476 public sector jobs  
or 2921 care home places for the elderly  
or 17336 local authority nursery places

Salmar ASA

Value creation :	2 170 million
Tax and public charges:	592 million
- Taxes and public charges from employees	332 million
- Company taxes	260 million
Tax and public charges per manyear	500 thousand
Value creation per manyear	1 840 thousand

Norwegian suppliers

Value creation:	4 418 million
Tax and public charges:	1 870 million

Total contribution to the Norwegian economy

Value creation:	6 588 million
Tax and public charges:	2 462 million
Tax and public charges in % of value creation	37 %

Fig. 1: SalMar's contribution to society (all in NOK)



NHO strive to keep their models and calculation methods correct and up to date, and will not be held responsible for any loss or problems these models or methods might cause.



Sponsorships and donations

To give something tangible back to the local communities in which the Group operates, SalMar supports a number of local clubs and voluntary associations through the SalMar Fund. The following causes have been given priority with regard to the allocation of funds:

- Village development initiatives aimed at children and young people
- Competence development for the leaders of clubs and voluntary associations
- Youth work
- Further development of existing cultural initiatives of a general nature
- Establishment and promotion of young entrepreneurship

Rosenborg partner

In 2013 SalMar became a sponsor of the football club Rosenborg Ballklubb (RBK). This partnership continued in 2014 and 2015. In addition to profiling SalMar, the partnership includes a separate programme for children and teenagers, and the development of grassroots football clubs in Trøndelag. RBK has highlighted the partnership through the SalMar Sports Ground and the SalMar Academy. The objective is to help transfer competence from Rosenborg to grassroots clubs in Trøndelag County in the form of good training sessions to promote player and trainer development.

Business ethics and the reporting of wrongdoing

To date, SalMar has not received any reports of corruption or other violations of its code of conduct. Nor has any wrongdoing been reported internally.

5 The job we do today is vital to the success of us all

What counts is what the individual employee does today – every day. At SalMar we are very conscious that every action and every day is important, and that success depends on the individual and collective efforts of the entire workforce.

In this chapter we will present the day-to-day efforts being made to achieve the Group's sustainability targets for fish welfare and the external environment, and report on our current status.





Preventing the escape of fish/limiting the number of escapees

SalMar has a clear goal of 0 escaped fish. There were no major incidents involving the escape of fish in 2015, but two reported incidents. A total of 2 fish escaped from the Group's facilities. Both incidents occurred in connection with handling of fish. The non-conformances have been dealt with and remedial measures immediately implemented. Success in escape prevention efforts derives primarily from effective day-to-day operation of the sites. However, investments in R&D and more secure equipment have also played a part. The R&D effort to reduce the risk of escaped fish harming wild fish populations is described in more detail in chapter 7: What we do today we do better than yesterday; and chapter 8: Focus on the solution.

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Our facilities have been upgraded and equipped to withstand the conditions prevailing at locations exposed to extreme weather conditions. The most important factor for preventing the escape of fish will, nevertheless, be the people performing their day-to-day tasks and handling the fish. For many years competent co-workers have focused intently on preventing the escape of fish or at

least keeping the number of escapees to a minimum. Daily inspections and checks of the facilities, as well as systematic follow-up of non-conformances and risk factors are key elements in this effort. The careful planning of tasks and the sharing of information will also play an important role in maintaining this positive trend.

Fish welfare

Fish health and fish welfare are two important focus areas at SalMar. SalMar's entire philosophy rests on the presumption that good health is a precondition for the salmon to thrive and achieve their maximum potential. This in turn is a precondition for achieving good financial results. In our view, the best indicator of fish welfare is the fishes' rate of survival from their transfer to the sea until harvesting. SalMar's target is for 95 per cent of the fish to survive this period. The figure below shows the accumulated survival rate at SalMar's facilities for the generations held at sea during 2015. When the last of the most recent generation of fish (2013) was harvested in July 2015, it had achieved a survival rate of 89.2 per cent. By comparison, the 2012 generation which was fully harvested the year before, had a survival rate of 89,9 per cent.

% accumulated survival from transfer to sea, per generation in 2015

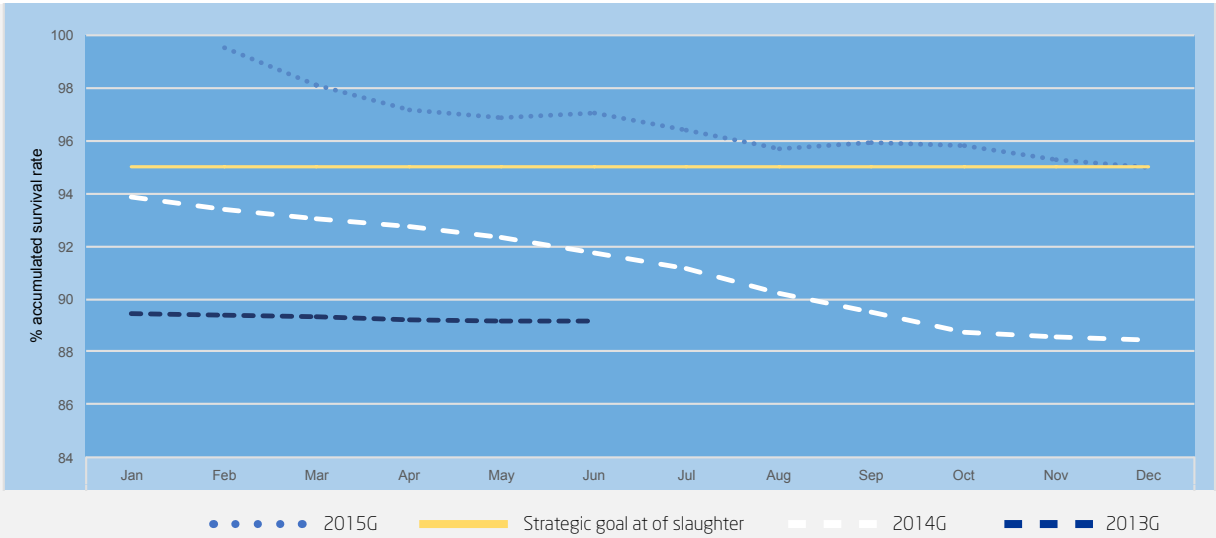


Fig. 2: Month-on-month survival rate per generation from its transfer to the sea and through 2015. At the close of 2015, much of the 2014 generation had been harvested, while the 2015 generation was transferred to sea in the period February to October 2015, and will be harvested in 2016

Antibiotics

Resistance to antibiotics is a growing problem worldwide. To prevent the development of resistance it is important that all food producers do what they can to keep the use of antibiotics as low as possible. The use of antibiotics in

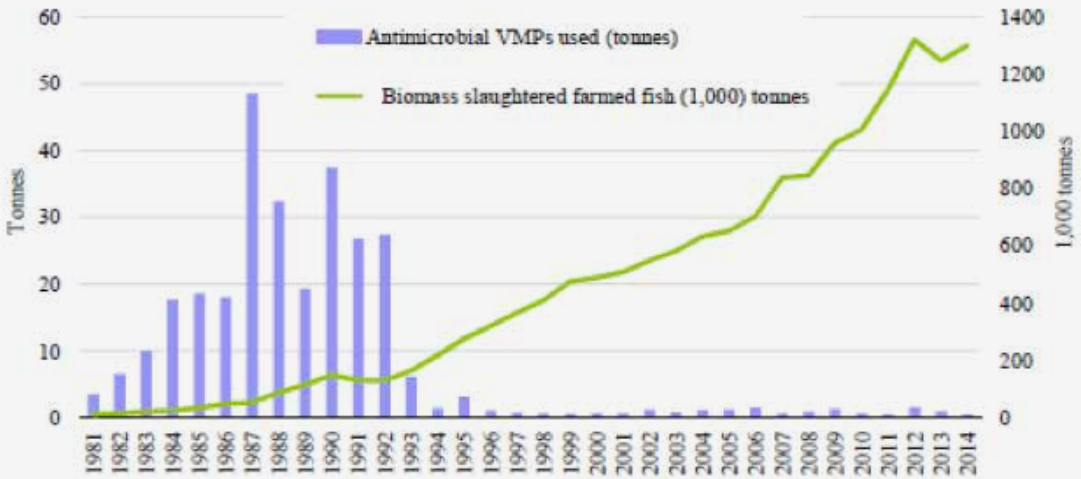
the production of Norwegian salmon is extremely low, far lower indeed than for all other farmed livestock. Antibiotics were used at SalMar's Norwegian facilities on a few occasions to increase the survival rate and improve fish health at the site/hatchery concerned. This involved use of 25,90 kg of antibiotics in 2015. The treatment corresponds to 0.000167g of active ingredient per kg of live salmon produced by the Group as a whole. The very low use of antibiotics continue( see Table 3). In addition, 0.1kg of antibiotics was administered to lumpfish held in a dedicated production facility, due to bacterial infections. We are now working on development of better vaccines for this species.

Table 3: Shows consumption of antibiotics (g active ingredient per kg live salmon produced in 2013-2015

	g active ingredient/kg live weight
2013	0,000221
2014	0,000213
2015	0,000167

Important steps to keep down the use of antibiotics include the vaccination of fish, ensuring good day-to-day fish welfare and upholding the zoning boundaries between generations of fish. Fig. 3 shows the sharp reduc-

tion in the use of active ingredients, as well as the growth in the volume of farmed salmon in Norway from 1992 until 2015.



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Fig. 3 Total sales (kg) of active ingredients, antimicrobial substances given to farmed fish in Norway in the period 1981-2014, as well as the volume of farmed fish harvested during the same period. (NORM/NORM-VET 2014)

Salmon lice infestation and treatment:

The sea lice situation was very challenging in Central Norway last half of 2015. The entire region faced great challenges when resistance to both hydrogen peroxide and other available drugs struck in full, while cleaning fish did not work optimally. This development went faster and arrived earlier than expected and reduced the preparedness for treatment significantly.

The company began using all available instruments, including strategic harvesting of fish, when autumn came. New tools, such as fresh water treatment and mechanical flushing of sealice was also initiated at the end of the year. For our activities in Northern Norway the sealice situation is considerably better, but the development has similarities with what we have experienced in the south.

A new overall strategy is added to restore the readiness and secure control of animal welfare due to required handling of fish, which may be a challenge. The new strategy is based on optimizing the use of cleaner fish and the implementation of new non- drug tools such as flushing and shielding against lice. This will contribute to achieving our main goal of reduced use of chemical treatment. The company has invested significant resources in new technologies and implementation of it. Before spring 2016 we have a non-medical treatment capacity to treat all biomass in Central Norway within 8-10 days.

We have during the year also contributed actively in the preparation of guidelines for zones in the sea, which is an important preventive tool to prevent sealice infection at our sites. Our own commitment to cleaner fish is described in chapter 8 Focus on the solution

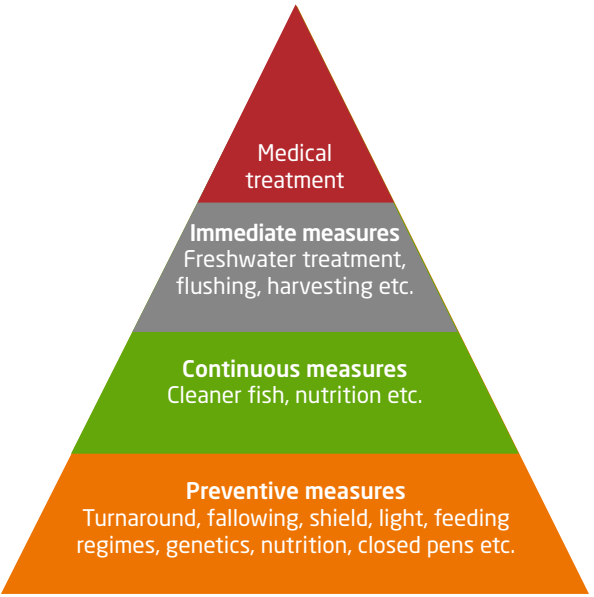


Figure 4: Strategy against sea lice



Green licences

SalMar was granted eight “green” licences in 2013/2014. Seven of these went into operation Autumn 2014 and one Winter 2015. The terms of the green licences set stricter limitations to the number of salmon lice and the number of medicinal delousing treatments, as well as a stronger focus on escape prevention. SalMar has focused particularly on the use of cleaner fish, in the form of farmed lumpfish, to control sea lice levels, and the use of a more secure net-pen construction. We have also emphasised participation in a salmon surveillance project in Trøndelag’s salmon rivers, in order to assist in the development of methods and expertise related to the tracking and mapping of escaped farmed salmon in rivers. So far, the experience from the operation of these sites have been good. The chosen technical equipment works in accordance to expectations, while it has been more challenging to get the wanted results from the lumpfish. A separate report summarising SalMar’s experience will be published annually.

Effective feed utilisation

Second only to the fish themselves, feed is the most important input factor in the production of farmed salmon. The nutritional value, consistency and taste of the feed are important. Equally important, however, is correct dosing to ensure that the feed is utilised as effectively as possible and keeps the fish healthy. SalMar has focused heavily on competence development and specialisation for those responsible for feeding the fish. In autumn 2015 / winter 2016, we have planned and initiated SalMar FeedSchool specifically targeting our personnel that feed the fish. Further skills development and dissemination of best practices within the company is the target.

Feeding is monitored using underwater CCTV cameras, and is adapted to the fish in each cage. The benefits of correct feeding include optimal growth, a low feed factor, reduced emissions, fish that thrive and have a greater resistance to disease, low mortality, smaller variations in fish size, less harvesting waste and higher quality fish flesh. During 2015 we have reports and analysed several parameters describing the feed utilisation, in example Fish in;Fish Out, FFDR (Fish forage dependency ration) and Feed factor. In 2016 we will define our specific sustainability targets for feed. The equipment and the feed must be appropriate, but the competence that has been built up in SalMar with regard to feed and feeding is a significant factor for the achievement of good results.

Systematic monitoring of the feed’s chemical, physical and biological quality

SalMar uses an all-round feed that optimises production and promotes good fish health. In other words, a high-value salmon feed that ensures good growth, a low feed factor and meets the fishes’ nutritional needs. In 2015 almost 189,000 tonnes of dry feed pellets were used in SalMar’s salmon farming operations. In addition, a small volume of feed was used for the company’s own production of lumpfish.

The biological value of the feedstuffs used in the hatcheries and marine-phase fish farms was verified through

their fat, protein, phosphorous and fibre content. SalMar performs routine controls on the feeds’ physical quality on receipt to identify non-conformances (dust & crumbs, floatability and oil ooze), and measurements indicate a stable level of dust and crumbs at less than 0.5 per cent in recent years. This shows that emissions caused by dust and crumbs are minimal.

We continue monitoring the diets biological value and utilization of own production through digestibility measurements from our own farms. We measure on chosen reference sites with a special focus on today’s key feedproducts and new products / suppliers. In addition, it is used as a project tool in the field - and controlled benchmarking projects, which we conduct after needs. In 2015, we have shown a consistently high utilization (digestibility) of the feeds used in SalMar’s fish production..

When a fish becomes ill, its ability to digest may be compromised. Assessment of the impact on digestion and feed uptake during and after outbreaks of disease will provide a better understanding of the way diseases develop, and will provide the knowledge needed to establish disease-reducing and cost-effective feeding regimes. In 2015 we have had a special focus on trying to understand how disease challenges (Pancreas disease) influences on the feeds fat – and protein digestibility.

Emissions

Emissions of nutrient salts

The seabed beneath all sites is inspected regularly to see whether/to what extent the surroundings have been affected by our operations. This is done through MOM-samples (Modelling – On-growing Fish Farms – Monitoring) which is reported to the authorities. In addition, monitoring of the feed’s digestibility helps to indicate the scale of nutrient salt emissions from a particular site. We continuously work to find optimal locations for our sites in order to reach our goal of 100% of the sites having a MOM-B score of ≤ 2. All sites had a satisfactory MOM-B score before the release of new fish stocks in 2015.

Together with the Norwegian Seafood Federation (Sjømat Norge), other fish farmers and research institutions, SalMar monitors large areas to see whether fish farming operations are having a regional impact. See chapter 7 What we do today we do better than yesterday for further details. No long-term impact on the seabed or shorelines around SalMar’s facilities has been identified. The Institute of Marine Research’s latest Risk Assessment of Norwegian Aquaculture (2014) states that emissions of nutrient salts create no risk of eutrophication along the Norwegian coast, although this may be an issue in certain sheltered areas. SalMar’s facilities are not located in sheltered areas, but are largely sited in localities with extremely good water flow-through. When sites are placed (rescanned placed with authorities), this is a thorough process. This process includes a check of eventual conflicts with protected areas, other stakeholders etc.

Greenhouse gas emissions

A lifecycle study performed by Sintef Fiskeri og Havbruk and SIK (Institutet för Livsmedel och Bioteknik i Sverige), shows that salmon production is considerably more climate-friendly than the production of beef and pork. Among other things, the study shows that the production of 1kg of farmed salmon generates half as many carbon-equivalent emissions as the production of 1kg of pork, and around one-tenth of the amount generated by the production of 1kg of beef.<sup>1</sup>

Since SalMar ASA has been growing and changing considerably in recent years, it has been deemed expedient to take 2013 as the starting point for future efforts to monitor and reduce the climate impact of its operations. Changes in recent years have included the construction and start-up of a new factory in Frøya, and the acquisition of numerous undertakings. These changes are presented in the annual reports for the years in which they took place.

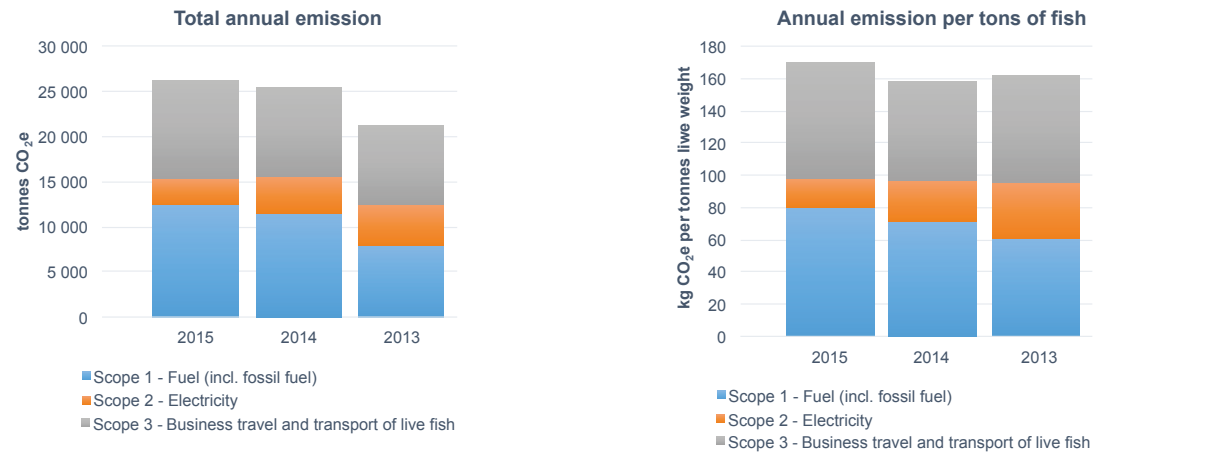


Fig. 5: Total annual carbon emissions and annual carbon emissions per tonne live weight.

Table 4 Key figures from the climate balance sheet

Key figures from the climate balance sheet	2015	2014	2013
Total fossil fuel consumption (litres)	4 863 976	8 201 731	6 435 695
Total electricity consumption, MWh	44 296	45 466	40 507
Total carbon emissions, tCO <sub>2</sub> e <sup>2</sup>	26 467	25 429	21 260
tCO <sub>2</sub> e/full-time equivalent	20,5	23,5	21,1
tCO <sub>2</sub> e/gross revenue <sup>3</sup>	3,6	3,5	3,4
kgCO <sub>2</sub> e/tonne live weight	170	158	162

SalMar has an agreement with its main provider of electrical power, which guarantees that 27.0 GWh of the power delivered derives from renewable sources. This means that 61 per cent of the power consumed in 2015 is covered by green certificates. The planning of InnovaMar encompassed a large number of projects to keep energy consumption as low as possible, for which purpose SalMar received grants from ENOVA. In 2015 SalMar Farming continued major energy conservation project, whose objective is to supply as many fish farms as possible with onshore generated electricity during 2015 and 2016. This means that those farms which are located close

SalMar has reviewed its energy and carbon footprint, based on the aggregated energy consumption of its day-to-day operations. The climate balance sheet presents a general overview of the company’s greenhouse gas emissions, translated into carbon equivalents, and is based on reported data from internal and external systems. The emissions included are those over which SalMar has operational control and can implement measures to influence in the future. The industry’s largest source of emissions is the production of feed. We refer here to the feed producers’ reported targets and results. SalMar’s energy and climate balance sheet has been drawn up by the company CO2focus AS. The analysis is based on the recognised international GHG protocol (“The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard”), as well as ISO 14064-I. The table below shows SalMar’s direct consumption of fossil fuel and electricity, as well as overall carbon emissions. From 2014 to 2015 we see a small increase in the total CO<sub>2</sub>-emission, composed of an increase in emissions related to fuel and commuting, while we experience a reduction in electricity consumption.

enough to land for it to be feasible will have power cables laid out to the floating structures. We have also replaced oil heating with electricity in a hatchery department. Such measures benefit the environment through a reduction in direct emissions from diesel generators and oil heating.

Waste and recycling

All SalMar departments have a waste-management plan, which stipulates the receiving facilities approved for various types of waste. Packaging and used fish farming equipment, such as collars, nets and mooring devices are delivered to undertakings that reuse the materials.

<sup>1</sup>Source: Carbon footprint and energy use of Norwegian seafood products SFH80 A096068. Calculations are based on Norwegian salmon delivered in Stockholm.  
<sup>2</sup>Includes emissions we have operational control over. This includes Scope 1 (direct fuel/oil), Scope 2 (indirect electricity), as well as emissions deriving from the transport of live fish and own workforce’s business travel from Scope 3.  
<sup>3</sup>Gross revenue measured in NOK million.



## 6 The job is not done until the person you are doing it for is satisfied

Salmon production is a collaborative process, in which the individual elements are mutually dependent and understanding the customer – whether internal or external – is vital. In this chapter we will focus on SalMar's suppliers, products and markets. Food safety and more processing are focus areas for sustainable development at SalMar. Both issues will be discussed in detail in this chapter.

### The value chain

The farming of fish is the part of the value chain in which SalMar has the greatest impact on the environment. Our efforts with respect to the environment and sustainability will therefore be focused primarily on biological production. SalMar produces its own roe and smolt, but in 2015 was still obliged to buy in some of its fish stocks. In addition to a strong internal focus on sustainable production, we therefore make demands on our suppliers.

The most important input factor, in addition to roe and smolt, is the feed that the fish eat. Since, the largest feed suppliers in 2015, Skretting and EWOS, both publish their own sustainability reports, please refer to these for further information. For SalMar, the most important

sustainability issue relating to fish feed is digestibility and nutritional value. The composition of the feed must ensure the effective utilisation of the raw materials, good fish welfare, good fish growth and thereby a shorter marine-phase production time, minimal emissions and a high content of important amino-acids and other nutrients. Genetic modified (GMO) raw materials are not used in our fish feed. SalMar also demands that all feed suppliers purchase raw materials that comply with the IFFO<sup>4</sup> standard for sustainability, or MSC-certified<sup>5</sup> raw materials or equivalent. SalMar affects and require from our feed suppliers that their purchases of soya has to be sustainable raw materials that are certified under RTRS or equivalent environmental certification.

Other important suppliers of significance to SalMar's environmental footprint include producers of equipment, electrical power, chemicals and packaging, as well as maintenance, wellboat and fish-health service providers. Several of the suppliers in the above-mentioned categories participate in sustainability improvement projects along with SalMar.

### Customers

Proximity to markets and customers is important for SalMar. Our customers are global, and include exporters and importers of various sizes, as well as major processing companies and supermarket chains. Through the sale of our products, the Group has contacts in numerous countries worldwide.

SalMar is certified in accordance with the following customer and third-party standards: HACCP, BRC, IFS, ASC, Debio, Krav, Global G.A.P., Kosher, Carrefour, IWAY (IKEA) and MSC (for the sales segment).

### Aquaculture Stewardship Council- standard (ASC)

SalMar has a ongoing process to get sites certified according to ASC standards. ASC is characterized as the most rigorous sustainability standard, a standard WWF

has initiated and there are already similar standards for farmed shrimp, tilapia and other species<sup>6</sup>. The ASC standard's main goal is to ensure transparency, reduced footprint, compliance with social responsibility as well as an added value for those who are certified. Until now SalMar has eight certified sites and four more are under certification winter / spring 2016.

The standard sets very strict requirements, in some cases more stringent than Norwegian legislation. In terms of, environmental impacts (eg. use of drugs, disease control, use of marine raw materials in feed, energy consumption at the site), workforce (eg. use overtime, young workers), communication with stakeholders (eg. claim for meetings prior to certification and every eighteen months after this) and transparency (part information must be made publicly available). This is a standard that is difficult to achieve because it requires appreciably resources for preparation, attention to detail and a lot of work to document and report entirely from one register a site to certification, and especially during and in the wake of an audit. Transparency about results is an important part of the standard and some information is presented continuously on our website [www.salmar.no](http://www.salmar.no). This standard helps SalMar to innovate and strive to live up to our postulate *Sustainability in all we do*.

### Products

Local processing enables SalMar to offer a wide range of first-class, fresh, frozen and organic salmon products.

### Salmon and health

Norwegian salmon contains a number of nutrients which make it an important component of a balanced diet. Norwegian salmon is a healthy and tasty food. Salmon is safe to eat, and is one of our most analysed foodstuffs.

The World Health Organisation (WHO) has published a thorough report on both the risks and benefits of eating salmon. The report concludes that eating oily fish, like salmon, reduces the risk of cardiovascular disease and has a positive impact on the development of the nervous system in fetuses and infants. It is the products' fat composition, with a high content of the omega-3 fatty acids EPA and DHA, but also vitamin D, Selenium and easily digestible proteins, which contribute to this health benefit. The report warns of higher mortality rates if too little seafood is eaten. The biggest challenge with respect to seafood consumption remains the fact that people in general eat too little of the important nutrients provided by fish. The Norwegian Scientific Committee for Food Safety (VKM) provides recommendations to the Norwegian Food Safety Authority. The VKM has concluded that it is well documented that oily fish protects against cardiovascular disease, and has a positive impact on the neural development of babies, both before and after birth. The positive effects of eating seafood far outweigh any potentially negative impact. The VKM report further documents that that dietary supplements containing fish oil do not give the same health benefits as eating fish.<sup>7</sup>





The Norwegian Directorate of Health issues dietary guidelines to the Norwegian population. Other countries have similar bodies who advise their citizens. The Norwegian Directorate of Health recommends a varied diet, and oily fish, such as salmon, is an important part of a varied and balanced diet.

#### Food safety

SalMar's production is subject to Norwegian regulations for food production, and our facilities are regularly inspected by the Norwegian Food Safety Authority. In addition, the Group has its own sampling programme, under which feed and finished products are analysed and tested for a number of factors. The Norwegian Food Safety Authority's monitoring, performed by the National Institute of Nutrition and Seafood Research (NIFES), shows very little foreign matter in farmed fish, and no samples were found to exceed threshold values in the most recently published reports for 2013 and 2014<sup>9</sup>.

SalMar produces healthy and tasty foods that are easy to prepare. SalMar's products are based on first-class raw

materials, and the quality is maintained right through the value chain until the salmon reaches the consumer. Thorough training at all levels with regard to procedures is important to maintain the high quality of SalMar's products. Production is organised such that the demands of different standards and customers are met. We perform regular internal audits, and welcome the public authorities, certification agencies and customers to carry out external audits and inspections. Food safety and the regulations relating thereto are taken extremely seriously.

In 2015 there were no violations of the regulations governing safe food, and only an order in relation to the interpretation of the requirements for operation / washing of bleeding tanks in the food safety regulations.

Audits performed in accordance with customer and third-party standards are important to document that the products are safe and healthy for the consumer, and have been produced in accordance with the requirements and expectations demanded of modern food production. In 2015 it was carried out 157 external audits of SalMar's

<sup>9</sup>[http://www.matportalen.no/verktoy/tilsynsresultater/lite\\_fremmedstoffer\\_i\\_oppdrettsfisk](http://www.matportalen.no/verktoy/tilsynsresultater/lite_fremmedstoffer_i_oppdrettsfisk) og [http://www.matportalen.no/verktoy/tilsynsresultater/trygg\\_oppdrettsfisk-2](http://www.matportalen.no/verktoy/tilsynsresultater/trygg_oppdrettsfisk-2)

sites/departments, 61 of which were from government, the rest from customers or third-party certification bodies.

SalMar has defined routines for the follow-up of customer complaints, and the Group has informed its customers of how they should proceed if a product they have bought does not meet their expectations. All products can be traced back through the production process, and a well-trained team are on hand to deal with any complaints from consumers.

#### Pre-rigor fillet

SalMar supplies both fresh and frozen pre-rigor fillets. SalMar's investment in pre-rigor filleting is an important strategy with respect to energy consumption, transport-related emissions, 100 per cent exploitation of the raw material and the creation of local jobs.

Pre-rigor filleting means that the fish is harvested and filleted the same day, before the fish goes into rigor mortis. This processing strategy enables delivery to the market 2-6 days earlier than has been the norm. This way of handling fish has a number of advantages:

- Fresher fish to the customer
- Firmer muscle texture, better colour, less gaping and lower drip loss
- Longer shelf-life in the market
- No need to store and mature the fish before filleting and boning

For more information on the environmental benefits of SalMar's investment in pre-rigor filleting, see chapter 8 *Focus on the solution*.

#### Organic salmon

SalMar is the world's largest producer of organically farmed salmon. Organic salmon is supplied year round, and production is vertically integrated from the broodfish down to the finished processed products. Local processing means that we can deliver a wide variety of first-class fresh and frozen organic salmon products. SalMar supplies both pre- and post-rigor organic salmon. A high content of marine oils means that this salmon is an exceptionally good source of EPA and DHA. Developments have been extremely positive since the very beginning, and the market's demand for organic salmon is increasing.

In 2009 SalMar was certified for the farming, processing and sale of organic salmon, and in March 2011 the Group's first organic salmon was harvested. Today, SalMar has five licences for the production of organic salmon, and it is produced by the subsidiary SalMar Organic AS in Møre & Romsdal. To qualify as organic the salmon must be produced within the framework of the EU's regulations, and must be approved by Norwegian organic foods certification body DEBIO.

#### Frøyas

Since 2011 SalMar ASA, via its subsidiary Frøyas AS, has produced finely sliced, sashimi quality fish under the brand name Frøyas. Every single fish that is used by Frøyas is handpicked, and only the best boneless pieces of salmon are used. After slicing the fillets are packed within 1-4 hours to ensure maximum freshness and taste.

The objective is to offer a salmon product that maintains the same quality and taste as it had on the day it was caught right up until its use-by date – normally 11 days. To maintain this level of quality, Frøyas uses a unique packing, transport and refrigeration process. The majority of fish products are transported under ice in polystyrene boxes. These are difficult and expensive to dispose of. In contrast, Frøyas' products are transported in recycled cardboard boxes that are chilled using dry ice, which ensures optimal temperature control. The dry ice evaporates slowly, and the cold is transferred direct to the product. This ensures that the product is kept below zero degrees until it arrives at the supermarket. To prevent frost damage, Frøyas' salmon is protected by a layer of cardboard, which ensures that the salmon does not come into contact with the dry ice. As the dry ice evaporates, the salmon maintains a constant temperature that keeps its freshness.

Frøyas uses 40 per cent less plastic in its packaging than competing products, and takes less space in the supermarket chiller cabinet. For consumers, this efficient packaging results in less refuse and more space in their refrigerators. For more information, see: [www.froyas.com](http://www.froyas.com).







## 7 What we do today we do better than yesterday

Our processes must be continually developed and improved if the company is to reach its objectives.

Further development and growth is closely linked to collaboration with SalMar's stakeholders. In this chapter we focus on our R&D projects and on third-party collaborations to increase sustainability, and we provide some examples of the work being done.



### Research and Development

Norway's aquaculture industry has experienced fantastic growth and development. This has been possible because of the industry's unquenchable desire to improve and develop new, safer and more efficient ways of producing salmon. In such a perspective, research and development (R&D) is essential, and the industry has depended on close cooperation with the public authorities, educational and research establishments, and industry bodies. SalMar is an important contributor to the development of the industry, and gives high priority to the advancement of knowledge within its areas of operation.

In 2015 SalMar has evaluated its involvement in this area. We have set new goals on how we can best take the role we should to acquire the company quick access to useful knowledge and innovation. Work on evaluation and new strategy is not finished, but continues into 2016. The extent of involvement in R & D has been growing, both through trade associations and through internal efforts with development licenses and projects related to this. Thematically, the work focused mainly on lice and biomass control in addition to fish welfare.

Within the work with sea lice, we had done a number of projects. Related to the development of Preventive measures, we have completed documentation of lice skirts in SalMar Nord and conducted trials related to use of light to keep the fish deep. Linked to Active operations against sea lice we have in eg. worked with development and introduction of flushing towards sea lice.

#### Active use of R&D licences

SalMar has been actively engaged in partnerships with R&D establishments for many years. This also includes collaboration on the operation of R&D licences. The scale and professionalism relating to important development tasks has increased, and continues to increase. SalMar sees itself as a professional, but demanding partner, whose aim is to ensure that the results of any trials are as relevant as possible, and that plans and protocols take account of the practical realities of fish farming. SalMar has dedicated personnel who organise and assist research establishments in their efforts, at the same time as operational staff gain more and more experience in how best to safeguard research results under busy day-to-day operating conditions. Proximity to the research, with opportunities to influence both its planning and areas of focus are important sources of motivation for SalMar. The development of vaccines, optimisation of medication, feeding and nutrition, and technological issues relating to large-scale operations are examples of important areas for further research.

#### Increased focus on genetics

SalMar has a growing focus on breeding and genetics through the company Rauma Stamfisk and the 'Rauma Broodstock'. The company has licences for the farming of broodfish, which has made it possible to establish a secure and expedient production structure for the future. We have set targets for data capture through the

entire value chain, and InnovaMar's automated systems are important in this respect. By safeguarding the quality and scope of the salmon measurements, we see significant opportunities for focusing the breeding programme to further increase the quality of our products and make them even more robust.

In 2015 the company has taken steps forward about how investment in genetics will take place, and in the coming years there will be specific clarifications. Working with genetics is a painstaking, slow work where only small steps are taken every year. The most important thing that happened in 2015 is therefore clarifications about organization and strategy, as well as some remediation of the production site at Reistad. SalMar has thereby positioned itself for further up scaling and professionalization of this work in the coming years.

### Safer workplaces

The build-up and discharge of static electricity in the feed pipes used in the aquaculture industry represents an HSE challenge. Under certain, partially unknown, circumstances, a high current can build up in the feed pipes. This current is discharged when the pipes are cut or – on some occasions – when someone moves around in their vicinity. SalMar has been a driving force for, and active participant in, a Norwegian Seafood Research Fund (FHF) project that resulted in a set of guidelines for the use and handling of feed pipes, which was published in 2013. SINTEF Energy was the lead R&D institution, while project management was performed by ACE.

### R&D – escape of fish

#### Partnership for wild salmon

As a member of the Norwegian Seafood Federation (Sjømat Norge) SalMar contributes actively to the development and enhancement of the industry's pool of shared expertise. Much of this effort revolves around our collective efforts to reduce the industry's environmental impact.

In addition to SalMar's engagement in efforts to reduce the risk of fish escaping, the Group has in recent years been an active participant in a project to monitor the status of wild salmon and record escaped farmed salmon in the Orkla, Gaula, Nidelva, Stjørdalselva, Verdalselva and Skauga rivers. Partners in the projects are the organisation Elvene rundt Trondheimsfjorden, the Norwegian Seafood Environment Fund, the Norwegian Veterinary Institute, the Norwegian Institute for Nature Research (NINA), the Norwegian Environment Agency and the County Governors' environment departments. This effort is organised into several subprojects. Scale samples are sent for analysis to the Norwegian Veterinary Institute, and the results are distributed electronically as they are obtained via SMS and the internet. If a large number of farmed salmon is identified in the breeding population, the project will – in collaboration with the regulatory authorities – assess whether it is possible to implement remedial measures.



SalMar is also participating in a feasibility project in Troms that is focusing on the surveillance and mapping of escaped farmed salmon in local rivers.

The aquaculture companies Lerøy, Marine Harvest and SalMar with others have partnered with the Norwegian Seafood Federation, the Norwegian Veterinary Institute and VESO to establish the project FARMSALMTRACK, whose objective is to establish a system to trace farmed salmon back to the farm from which they escaped and their original hatchery. The aim is to trace individual fish back to the correct farm by comparing element profiles from reference materials supplied by hatcheries and fish farms with profiles of escaped farmed salmon caught in the wild. The tracing concept builds on the fact that there are stable geological differences between different areas in Norway. Trace elements dissolved in water reflect the area's geology. Trace elements in water are absorbed by fish through their gills, and are transported through the blood out to their scales where they remain fixed. Scales grow at the same rate as the fish, and trace elements in the water in which the fish swims are laid down along the outer edge of their upper mineralised and calcium-rich layer. In many ways scales can be seen as the fish's 'flight recorder', since they provide a constantly updated record of the fish's life.

### Technology and people

In conjunction with suppliers and research institutions, SalMar is involved in several projects to reduce the risk of fish escaping. These projects cover both the development of new technologies and operating procedures. SalMar works closely with AquaCulture Engineering (ACE), and is involved in several projects being undertaken at our sites. See below for more information about ACE. With respect to suppliers, our work with Aqualine to develop

safer cages based on an integrated design concept is of particular importance.

Aqualine AS has improved cage technology by developing a new concept for cage systems made from plastic. SalMar was actively involved in this project along with other major aquaculture companies, and made sites available for testing. In addition, Sintef Fiskeri og Havbruk, ACE and Sintef Marintek were hired in in connection with the testing and documentation of prototypes. For SalMar it was important to develop a concept which focused on the way the different parts of the fish farms interrelated. A further objective was to reduce the risk of wear between the net and the other components, improve working conditions on the collar for greater efficiency and safety, increase the lifespan of the equipment and reduce costs, as well as develop equipment suitable for use in exposed locations. The Midgard System meets the requirements outlined here, and went into normal operation at SalMar's sites in 2013.

Havtek AS is a small company that has developed and patented a net with built-in surveillance. The net has integrated wiring which detects any damage or holes via linked devices. SalMar has collaborated actively with Havtek AS on development of the EI-Not net system.

In addition to its continuous efforts to maintain a high level of quality, the human factor as a reason for fish escapes is followed up in the Norwegian Seafood Research Fund (FHF) project entitled Human Factors and Escapes from Salmon Farms. The project aims to establish a knowledge platform for the development of solutions to prevent human error from resulting in the escape of fish. The project concluded in 2014, but experience from the project is continuously included in the ongoing development of SalMar's new management system.

### Environmental documentation

Through its membership of the Norwegian Seafood Federation, SalMar has participated in environmental documentation projects. This type of documentation is a precondition for a fact-based and rational assessment of today's operations, and provides a basis for determining how the industry can develop in the regions covered. So far SalMar has participated in documentation projects in Møre & Romsdal and Trøndelag. The projects involve several R&D institutions.



ACE, AquaCulture Engineering, was established in 2006 and manages 3 R&D licences on behalf of Sintef Fiskeri og Havbruk. In April 2009 ACE and SalMar concluded a cooperation and operating agreement. Under this agreement SalMar Farming AS undertakes the commercial operation of the licences in association with its own sites.

ACE focuses on the main challenges facing the aquaculture industry, eg salmon lice, escapes, HSE and emissions, by bringing together research establishments, suppliers and producers in large-scale projects whose aim is to develop and test new aquaculture technology. Users are often national and international scientists and others who want to perform practical experiments and tests under the most realistic and controlled conditions possible.







## 8 Focus on the solution

Any employee faced with a challenge or difficulty has a responsibility to help come up with a solution. Every challenge represents an opportunity for progress. In this chapter we highlight some examples of internal development projects.

### Employee involvement

It is important that all employees contribute their opinions and suggest ways to improve things if SalMar is to develop and continually progress. To facilitate this regular meetings are held in each department to plan ahead and review what needs doing.

### Sustainable smolt production

SalMar's goal is that more than 95 per cent of the fish transferred to its sea farms will survive until harvested. Much of the good work required to achieve this involves the production of robust smolt. A great deal has been invested in making this part of the production process as sustainable as possible. Keywords here are fish welfare, recirculation, energy recovery and the prevention of escape. Below, we present two focus areas in the field of smolt production at SalMar.

#### Follafooss

SalMar Settefisk AS's Follafooss hatchery was established in 1985. Over the years the facility has been significantly expanded and modernised. Today it is a hypermodern production facility, licensed to produce 20 million smolt per year.

By means of heat exchangers, the hatchery exploits the energy from the waste water produced by the cellulose plant MM Karton FollaCell AS, which is located right next door. Energy corresponding to around 20 million kWh is extracted in this way. This energy is used to heat the production water used in the hatchery.

The hatchery's production water is obtained from the Follafooss Power Plant. A turbine has been installed in the supply pipe to the hatchery. As a result, up to 1.5 MW of electrical power is derived from the water supply before the water is used for fish production.

The hatchery was originally built as a traditional flow-through facility, with a water consumption of up to 60,000 l per minute (3,600 m<sup>3</sup>/hour). Since 2007, however, four departments have been established, with recirculating technology that permits up to 97 per cent of the water to be cleaned and reused. Today, around half of the hatchery's output is produced in these recirculation departments. This means that an increase in production from approx. 5 million smolt per year to around 13 million smolt per year has been achieved with no increase in overall water consumption.

All waste water from the hatchery is cleaned using particle filtration before being released into the recipient. Sludge from the waste water treatment plant is delivered in accordance with applicable emission standards to farmers who mix it with traditional animal manure for spreading on the fields as a soil improvement measure.

Smolt from the hatchery are delivered to SalMar's own fish farms – primarily in central Norway. In recent years the hatchery's smolt have performed very well in the marine-phase, not least with respect to survival rates. The hatchery is measured on the smolt survival rate 90 days

after transfer to the sea farms. The last two generations of smolt have achieved a 98.4 (13-G) and 97.2 % (14-G) per cent survival rate, respectively.

The plant is about to get a new department, which will result in the production at the plant will be 20 million smolts. As of today there is site preparation, and planned construction start is June 2016, with completion in autumn 2017. The department built with recycling technology with approximately 97 % purification and reuse of produced water. Heating of production water will happen with heat pump technology and all effluent from the plant will be cleaned by particle removal.

### New smolt production facility in Senja, Troms

SalMar is constructing a new smolt production facility in Tranøy on the island of Senja in Troms. The facility will be capable of producing 15 million smolt per year, of which around 4 million will be large smolt weighing over 200g. The industrial site is currently being prepared for a plant with around 12,300m<sup>2</sup> of floor space. It is expected to be completed in the autumn of 2016. The first smolt produced at the plant are expected to be delivered as age 0+ salmon in the early autumn of 2017.

The facility is being built to make use of recirculation technology, with around 97 per cent of the production water being cleaned and reused. The production water will be heated using heat-pump technology, and all waste water will be cleaned using particle filtration. It is expected that the facility will employ around 15 people.

### Innovation with respect to feed and feeding

Through 2015 Salmar has been working to optimize feeding at our production sites. We still have a strong focus on optimizing feeding the first 12 weeks at sea, and to have the greatest possible feed availability during this period, which is important to achieve a healthy and robust fish.

In 2015, we continued our focus on feeding center, which means that by the end of 2015 SalMar has three feeding center which remote feed several sites from their control rooms. We have one at Lysnes Senja, one at Fosen and one at Smøla. On Lysnes we have also approved the establishment of a teaching and viewing licence related to the feeding center.

The arrangement with remote feeding has increased the focus on feeding and is considered a good environmental measure in relation to achieving good growth, short turn-around and good biomass- and site utilization. It allows for a greater focus on the employees who perform one of the important core tasks SalMar.

It has in 2015 been carried out several development projects with suppliers and research partners to optimize instrumentation used for feeding and biomass control in large cages.

SalMar is working with its suppliers with new alternative oil raw materials that will reduce environmental footprint of SalMar production.







### In-house production of cleaner fish

SalMar is investing heavily in the use of so-called 'cleaner fish' to control salmon lice numbers. In 2015 it was put to sea more than 2.8 million lumpfish from SalMar's production site Langstein in Trondheimsfjorden. Based on the experience gained so far the focus on lumpfish will be further developed in 2016. The plant will be expanded and adapted to produce larger and vaccinated lumpfish. This is likely to enhance the effect of lumpfish as a tool to control the levels of lice on salmon.

### InnovaMar from dream to reality

Since SalMar's inception in 1991 harvesting and processing have been a key part of the Group's strategy. InnovaMar, one of the world's most innovative and cost-effective facilities for the landing, harvesting and processing of

salmon, went into operation in 2011. The plant covers an area of 17,500m<sup>2</sup>, and cost around NOK 550 million to build and equip.

InnovaMar comprises two departments (harvesting and processing), and a great deal of effort was made to challenge traditional solutions. Innovative production technologies increase the quality of the final product, reduce costs and improve working conditions for the staff. The plant can produce around 150,000 tonnes of salmon per year.

In 2014 SalMar started using a new arrangement of holding pens outside the harvesting plant. The facility comprises eight cages, which can each hold 350 tonnes. The facility is staffed around the clock, and features

CCTV surveillance and continuous monitoring of oxygen and temperature levels in all cages. The size of the new facility has increased InnovaMar's flexibility, since fish of different sizes and from different locations can be made available to customers.

In addition to ensuring fish welfare, a good working environment, efficiency and safe food, emphasis has been placed on energy consumption, the handling and use of salmon waste, as well as reducing the need for transport through increased sales of salmon fillets rather than whole fish. Finished products are prepared online as pre-rigor items, which affords great savings in the form of a reduced need for handling and input factors. Online production avoids the need to keep whole fish in containers filled with ice/slush in cold storage for 2-6 days. It also reduces the amount of labour and trucks needed for their

internal handling and transport. The product is kept in production zones only for as long as it takes to process the finished item from whole fish. This avoids any increase in the temperature of the raw material, which is already chilled from the harvesting plant, and saves further use of ice to reduce the temperature of the finished item to the desired 2°C level. In addition to environmental benefits, online production of pre-rigor fillets is also advantageous with regard to increased freshness and maximum exploitation of the raw material. SalMar aims to turn as much as possible of the salmon into pre-rigor fillets.

Rest-products (head, spine, offcuts) go directly to Nutrimar via internal conveyers/pipes, which ensures a high degree of freshness and usable volume when processing this raw material. It also means that there is practically no need for input factors relating to its transport and handling.







### Product development and packaging solutions

To reduce emissions and costs associated with the transport of fish, SalMar has focused heavily on the export of pre-rigor fillets instead of whole fish. This reduces the weight by around 40 per cent, and consequently the need for transport, since only those parts of the product that the customer makes use of are sent by road. Increased processing therefore results in fewer heavy goods vehicles on the road, and fewer emissions. Since fillets are cut before distribution to the market, we live up to the principle of supplying the right quality to the right customers. Any fillets downgraded due to quality issues will be transformed internally into appropriate 'secondary products'. In addition, all offcuts from the production of fillets at SalMar's facilities InnovaMar in Frøya and Vikenco in Aukra are sent to Nutrimar for further processing. As a result 100 per cent of the raw material is exploited. See the

presentation of Nutrimar AS later in this chapter.

Today, around 30 per cent of SalMar's finished pre-rigor products are packed in reusable crates. This provides savings in the form of a reduced need for ice and the disposal of polystyrene boxes. SalMar is working actively to increase the proportion of products transported in reusable crates. A project is currently underway to identify optimal packaging solutions in connection with the export of pre-rigor fillets. Reusable crates, shipments without ice and packaging technologies that provide complete bacteriological security are all included in the project, which will continue on into 2015. The project is also investigating recyclable cardboard packaging and transport without ice. Eliminating the ice would reduce both weight and volume, and thereby the level of emissions produced during transport.



Nutrimar was set up in 2007. Its objective was to take better care of the raw material produced by SalMar AS. Traditionally, acid was added to much of the waste raw material from salmon harvesting plants and then sold on as low-grade ensilage.

Today, Nutrimar accepts and processes 100 % of the production waste from InnovaMar. We also accept all the production waste from the Vikenco harvesting plant.

The raw material comprises day-fresh guts, heads, spines and

offcuts from harvesting and processing. The products currently produced include oil, protein concentrate and meal. All these products are sold as ingredients in the commercial production of animal feeds, ie fish feed and chicken feed.

Nutrimar has embarked upon construction of a new plant, which will go into operation in 2016. The new factory will make even more high-value oils and proteins for both human and animal consumption.

For more information, see: [www.nutrimar.no](http://www.nutrimar.no)

## OCEAN FARMING in the best interests of the salmon

Fiskeridirektoratet allotted 02.28.2016 the first eight "development" permits for aquaculture to Ocean Farming AS and thus to SalMar Group, to develop and realize the ocean farming pilot based on offshore technology. The permits are recognizing the significant work both own staff and external expertise has placed the last four years to develop a whole new concept with a view to introducing a new industry standard in aquaculture.

The technical solution is based on "the best" from the Norwegian industry has to offer from the fields of aquaculture and offshore oil and gas. It comprises a slack-anchored, semi-submersible rigid structure, with a degree of floatational stability. It is intended for offshore installation in waters depths

of 100 to 300 meters, where the biological conditions are optimal for farming fish. The project is based on proven technologies combined to afford optimal fish performance.

All fish handling can be performed on board, without recourse to external service vessels or equipment. In addition, the facility is equipped with one moveable and two fixed bulkheads so that it can be divided into three separate compartments, enabling different fish-related operations to be performed. The installation is fully automated to eliminate heavy manual operations. Normally, a crew of 2-4 people will operate and monitor the facility. Risk analyses show that the potential for escapes is very low.

### TECHNICAL INFORMATION

- Overall height 68m
- Diameter 110m
- Volume 250.000 m<sup>3</sup>
- Construction start March 2016
- Completion/transfer of fish 3 rd QR 2017





ISSUE

Strategy and analysis

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<b>Organisational profile</b>	
Company name	Salmar ASA
Primary brands, products and services	Farming of Atlantic salmon, conventional and organic. High profile product: Frøyas.
Location of the company's headquarters	Kverva, 7266 Kverva, Norway
No. of countries in which the organisation operates, and name of countries with important operations or countries which are particularly relevant for the sustainability issues covered in the report	SalMar takes responsibility Page 16
Ownership and type of company	Salmar ASA is a public limited company that is listed on the Oslo Stock Exchange. For further information, see the 2015 annual report.
Markets serviced	Page 16-17 Annual report, Note 23 to the financial statements.
Size of the business	Annual report
No. of employees by employment category and gender	Page 20
Proportion of workforce covered by collective wage agreements	79.6 %
The business's supply chain	Page 28
Material changes in size, structure, ownership and supply chain occurring during the reporting period	Page 21,31,and 37  Annual report, pages 13, 17 and 43
Precautionary principle	Page 18
Membership of industry associations and/or national/ international special interest groups Norwegian	Norwegian Seafood Federation, Confederation of Enterprise (NHO), OrAqua – Organic Aquaculture, Federation of European Aquaculture Producers (FEAP),
<b>Material aspects and delineations</b>	Annual report, Note 6 to the consolidated financial statements
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